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PROBABLE DEVELOPMENTS IN WEST GERMANY

Submitted by the
DIRECTOR OF CENTRAL INTELLIGENCE

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Concurred in by the
INTELLIGENCE ADVISORY COMMITTEE

on 20 December 1954. Concurring were the Special Assistant, Intelligence, Department of State; the Assistant Chief of Staff, G-2, Department of the Army; the Director of Naval Intelligence; the Director of Intelligence, USAF; and the Deputy Director for Intelligence, The Joint Staff. The Atomic Energy Commission Representative to the IAC, and the Assistant to the Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.

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On the cover of NIE 23-54, please change the caption reading:

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IVISION

PROBABLE DEVELOPMENTS IN WEST GERMANY¹

THE PROBLEM

To estimate probable developments in West Germany over the next several years, with particular reference to its future stability and probable orientation.

ASSUMPTION

We assume that the Paris agreements (including the agreement concerning the Saar) will be ratified by all the signatory nations.

CONCLUSIONS

1. So long as West Germany continues to be economically healthy we believe it will retain its present social and political stability and continue to be dominated by moderate political forces. Major dissatisfaction with Germany's position in the Western alliance would intensify internal strains in West Germany and increase the influence of nationalist and extremist elements, but we believe that only in a time of economic crisis would authoritarian government have much chance of returning to Germany. (Paras. 19, 21)

2. The present coalition government led by Adenauer's Christian Democratic Union (CDU) will be confronted by increasing restiveness among the minor partners, and Adenauer's departure from office would almost certainly be followed by some jockeying for the succession.

These challenges to coalition unity will probably increase with the approach of the 1957 national election. Nevertheless, despite local manifestations of discontent with Adenauer's control, such as the formation of the Bavarian Government following the recent election, we believe that the common interests that have in the past kept the coalition together will continue to do so. The strength of the opposition Social Democratic Party (SPD) will probably increase somewhat by the 1957 election, but the chances are better than even that some form of center-right coalition will be continued in power. (Paras. 13, 18)

3. We believe that the strength of moderate political forces will remain sufficient to insure civilian control over West Germany's prospective armed forces. The military will probably reacquire some political influence but is unlikely to attempt to resume its former political role, except

¹ This estimate supersedes NIE-82, "The Outlook in West Germany," published 17 July 1953.

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possibly in the event of a trend toward authoritarian government. (Paras. 20, 21)

4. The 500,000 man forces which West Germany is scheduled to contribute to NATO could possibly attain combat readiness within two to three years after rearmament had begun. However, to reach this goal West German requirements for aircraft and heavy equipment will have to be filled largely by the US and UK. (Para. 36)

5. West Germany's remarkable economic recovery is likely to continue for the next few years, particularly with the added stimulus of rearmament. In view of West Germany's heavy dependence on foreign trade, however, any major contraction of world markets would have serious repercussions. (Paras. 32, 33)

6. While a fundamental West German foreign policy objective is to recreate a strong and united Germany, the universal desire for reunification is tempered by the widespread realization that reunification on acceptable terms is unattainable for some time to come. On the other hand, if a Soviet proposal for reunification coupled with neutralization were accompanied by tangible evidence of a basic shift in Soviet policy which persuaded the West Germans that the Communists were

prepared to abandon their position in East Germany, most West Germans would find the proposal acceptable. (Paras. 42, 48)

7. Except in this unlikely event, we believe that West Germany will for the foreseeable future remain allied with the West. If the USSR reacted to ratification of the Paris agreements by a policy of renewed militance (as, for example, new restrictions on intercourse between East and West Germany), we believe that the West German Government and people would favor a firm stand against Soviet pressures. West Germany will seek an increasingly influential role in NATO, though it will be careful at least in the short term not to unduly arouse allied suspicions as to its ambitions. (Paras. 43, 44, 49)

8. Over the longer term, however, as West German strength and influence increase, Bonn will tend to pursue certain lines of policy which may create new strains with some of its allies. First, it will increasingly seek the position of continental leadership to which it will regard itself as entitled. Second, it will probably attempt to commit the Western alliance to exert heavier diplomatic pressure on the USSR over reunification, although it will remain unwilling to go so far as to create risks of war. (Paras. 55, 56)

DISCUSSION

9. Postwar West Germany has remained free from the disabling social cleavages and divisive political pressures that helped to undermine the Weimar Republic. The vast majority of the population seems satisfied with the democratic institutions created in 1949. Chancellor Adenauer and his moderate,

pro-Western government have been highly successful in maintaining internal stability. The continuous economic improvement since 1948 has been mainly responsible for that stability and has served to subdue discontent over continued occupation and partition. Widespread antagonism toward the USSR and

the disillusioning experience of the Nazi regime have severely limited the political appeal of Communism and of irresponsible nationalism.

I. POLITICAL TRENDS

10. *Short-Term Outlook for the Coalition.* A center-right coalition led by Konrad Adenauer's Christian Democratic Union (CDU) has governed the Federal Republic since its inception in 1949. The CDU and its Bavarian affiliate, the Christian Social Union (CSU), won an absolute majority of one seat in the 1953 Bundestag election, a victory without precedent in the history of free German elections. The coalition, comprising the CDU/CSU, the Refugee Party (BHE), and the right-wing Free Democratic (FDP), and German (DP) Parties, enjoys a majority in both houses of parliament.² It represents the preference of the mass of middle class and conservative West Germans for moderate constitutional government and for a pro-Western foreign policy. The government is conservative in economic policy, but is committed to an extensive social welfare program.

11. The most significant political development over the past year has been the increased restiveness of the smaller coalition parties under the largely personal rule of Chancellor Adenauer. Though Adenauer remains by far the dominant figure in the coalition, tensions have been increased by the desire of the smaller parties to emphasize their separate identities, and by Adenauer's frequent failure to consult their leaders on the formulation of government policy. As evidenced in the formation of the Bavarian Government following the recent election, the smaller parties of the coalition will probably continue to strain against the paternalistic control of Adenauer in order to increase their popular support and their influence on the government.

12. Nevertheless, despite current frictions, we see no immediate threat to the basic stability of the coalition or to the continued pre-

dominance of Adenauer. The willingness of the smaller parties to break away from the coalition is likely to be limited by their lack of any satisfactory alternatives to continued membership in the coalition and by Adenauer's probable willingness to make limited concessions where necessary to preserve coalition unity. While intracoalition differences over the Saar will probably continue, the smaller coalition parties probably will be unwilling to force a break over this issue alone. The basic economic programs of the CDU and the FDP are so similar that Adenauer will probably be able to retain FDP support in matters of domestic policy. Adenauer can almost certainly assure the cooperation of the Refugee Party by assigning to its leaders the administration of certain social welfare funds. Moreover, the strength of the party will probably decline as the refugees are assimilated. Many of the Refugee Party supporters, coming from a middle class background, are likely to gravitate eventually to the CDU and FDP. The smallest member of the coalition, the German Party, probably will remain generally satisfied with its role in the Cabinet and consider itself too weak to press for greater power.

13. However, Adenauer is almost 79, and his departure from office probably will initiate a struggle for political leadership. No successor of equal stature is on the political scene.³ We believe, however, that the present coalition would eventually be able to agree on a successor, and that, although the loss of Adenauer's prestige and ability would be an immediate handicap, the cohesiveness of the coalition would not be seriously disturbed.

14. *Prospects for the SPD.* The Social Democratic Party (SPD), the only major one outside the coalition, is a class party representing a majority of West German labor. It is moderately Socialist in outlook and is traditionally anti-Communist. At the same time, though the party is generally pro-Western,

² Possible contenders (all members of the CDU or CSU) are Finance Minister Fritz Schaeffer, Economics Minister Ludwig Erhard, CDU Bundestag leader Heinrich von Brentano, the Minister President of North Rhine-Westphalia, Karl Arnold, and Bundestag President Eugen Gerstenmaier.

³ In the 1953 national election, the CDU/CSU received 45.2 percent of the popular vote; the FDP, 9.5 percent; the BHE, 5.9 percent; and the DP, 3.3 percent.

statements by some of its leaders frequently have a neutralistic tone. The SPD has consistently championed the early reunification of Germany, and argues that this aim is jeopardized by West German rearmament in association with the West. Due largely to Adenauer's great prestige, popular support for the SPD declined slightly to 28.8 percent of the vote in 1953, but is likely to show an increase at the next election. Following ratification of the Paris agreements, the SPD will probably concentrate more on social and economic issues than on foreign policy. Its eagerness to exert some measure of control over the new armed forces may also lead it to adopt a somewhat less obstructionist role on military questions. The SPD, if included in the government, would be likely to advocate secularist and moderate welfare state policies.

15. However, a "grand coalition" of the CDU and SPD remains unlikely, particularly as long as Adenauer is in power. The SPD has repeatedly indicated that it would not join a coalition under Adenauer. Moreover, given the moderate conservatism of the present government and the likelihood of increased SPD militance on social and economic issues, we believe that the differences between the CDU and SPD will tend to deepen rather than decrease. The CDU may occasionally threaten to seek a "grand coalition" to bring its present coalition partners into line, but an actual CDU-SPD coalition seems improbable except in the unlikely event of a strong bid for power by the extreme right.

16. *The Communists.* The Communist Party (KPD) is of negligible importance as a political force and has little prospect for growth. Communist strength declined sharply to 2.2 percent of the total vote in the last federal election, and the party lost its small representation in the Bundestag. Although the KPD has aimed at penetrating the SPD, there is little evidence of Communist success.

17. *The Extreme Right.* The splinter parties of the extreme right continue to lack Bundestag representation or effective leaders and programs. Only a small minority of West Germans has responded to the ultranationalist and neo-Nazi appeals of the extreme

right, and it appears that the extremists can hope to increase their influence only through parties now represented in the parliament. However, we believe that at least in the short term, these extremists are more likely to be absorbed by the moderate right-wing parties than to dominate them.

18. *The Longer-Term Political Outlook.* Despite some probable decline in the coalition's popular strength between now and 1957, the chances are better than even that it will retain a majority in the 1957 national election and that some form of center-right coalition will be continued in power. Further strains on the solidarity of the coalition parties are likely, but we believe that they will remain willing to compromise sufficiently to form a new government. SPD strength is likely to increase somewhat by 1957, but not sufficiently to overcome the parliamentary lead of the CDU. The strength of the CDU probably has reached a peak from which it will decline, but the Christian Democrats probably will remain the dominant force in West German politics as long as economic well-being continues and the CDU pursues policies aimed at assuring for West Germany at least an equal position in the Western alliance.

19. In any event, under these circumstances we believe that West Germany will retain its political stability and continue to be dominated by moderate political forces. In view of the probable continued willingness of the present parties to compromise on basic social and economic issues we see no political rallying ground for extremist expressions of social discontent. If West Germany should become seriously frustrated in its political, economic, and international aspirations, ultranationalist sentiment might develop. However, at least in the short run, the granting of sovereignty and NATO membership will strengthen popular confidence in the democratic forces in Germany. Moreover, the government will probably remain strong enough to restrict the activities of extremist elements.

20. We believe that the strength of moderate political forces in West Germany will remain sufficient to insure civilian control over its prospective armed forces. The military will

probably reacquire some political influence in a country traditionally conditioned to respect for military institutions and deference to the views of the military. However, the political position of the professional military leaders will be conditioned by the tight legal framework within which they will have to operate from the very inception of rearmament and by their realization that the maximum military strength West Germany could raise would be insufficient to permit it a role equal to or independent of the US and the USSR. Any likelihood of formation of a separate power center by military elements will also be greatly reduced by: (a) the careful scrutiny to which the CDU and SPD will subject military leaders, budgets, and policies; (b) the probability that solid public support for the concept of civilian control will continue; (c) the recognition by West German commanders that adventurist tendencies would threaten the growth of German influence in the Western alliance; and (d) the continuing check on West Germany's military activities resulting from its dependence on allied aid and its assimilation in NATO and WEU.

21. On the other hand, if grave economic difficulties occur, a trend toward a more authoritarian and nationalist type of government might develop. The experience of the past cannot be discounted, and such a development would be in accord with traditional German willingness to submit to authority and with the past fragility of democratic institutions in Germany. Major dissatisfaction with Germany's position in the Western alliance would also intensify internal strains in West Germany and increase the influence of nationalist and extremist elements, but we believe that only in a time of economic crisis would a trend toward authoritarian government have much chance of developing. Such a trend might take the form of a mass party of the right, drawn from the unemployed, the residue of unassimilated refugees, some elements of the military establishment, and nationalist elements in the middle class. The rate at which such a movement could develop would depend largely on the success with which the existing moderate parliamentary regime could meet economic problems and

avoid the appearance of weakness. If this trend were to develop, it is possible that the new German military hierarchy might again seek to play an active political role.

II. SOCIAL STABILITY

22. West German society has survived the disruptive effects of National Socialism and World War II to emerge as one of the most stable national communities in Europe. The experience of war and National Socialism has moderated class, regional, and religious antagonisms, and has induced scepticism toward radical innovation. These elements of stability have been strongly reinforced during the past few years by a prosperity that has benefited almost all elements of society. As long as reasonable economic stability is maintained, the potentially disruptive confessional issue and the other antagonisms are unlikely to reappear in their former virulence.

23. West German workers have revived their pre-Hitler labor unions, but the hold of these unions over the workers is somewhat weaker than before 1933. Labor's real annual earnings have increased by about 10 percent over the prewar level, and there is little danger of acute dissatisfaction as long as economic activity continues at a high level. On the whole, labor has pursued its economic goals with moderation, and the possibility that it may upset the social balance by adopting militant practices is considerably lessened by the absence of sharp labor and management tensions and by the conservative views of the majority of labor's leaders. Although labor will increase its efforts to improve working conditions and adjust wages, it will probably confine its activities to negotiations and occasional strikes.

24. Despite the social and economic problems created by the settlement in West Germany of more than 10 million refugees from Communist-controlled areas, their assimilation into the West German society and economy has been surprisingly successful. It has been accomplished most effectively with industrial workers in urban centers, less so with farmers and middle class groups. A major problem

has been the lack of adequate housing. Although the refugees account for 20 percent of the West German population, the Refugee Party attracted less than six percent of the national vote in 1953. After a few more years of assimilation we believe that many of the refugees will see no further need of a separate national party to protect their interests and that the Refugee Party will decline. However, should adverse economic conditions occur in the near future, those refugees still unassimilated would suffer sooner and more severely than the rest of the population and might then become a center of social unrest.

III. ECONOMIC TRENDS

25. West Germany's economic expansion is continuing at a rapid rate, although the country's recovery still lags behind that of the rest of Western Europe. A new study prepared for the OEEC, based on quantities produced valued at 1950 US prices, gives West Germany a gross national product (GNP) of \$50 billion, compared to \$42 billion for France and \$61 billion for the UK. The standard of living of West Germany's 50,000,000 people is now approximately equal to that of France, though considerably below that of the UK.

26. Since 1951, West Germany has devoted over 28 percent of its GNP to investment at home and abroad — a higher percentage than any other Western European country. This intensive investment effort, together with favorable terms of trade and over \$3 billion in US aid, made West Germany's extraordinary recovery and industrial expansion possible, and permitted the absorption of some five million refugees into the active labor force. The availability of this highly mobile and skilled labor reserve became, in turn, an important contributing factor in speeding the country's recovery. In 1954, employment is likely to reach a postwar high of 16,300,000, and unemployment will drop to about 1,250,000. The high level of West German industrial production (143 percent of the 1938 figure) has been made possible by the increase in industrial employment, rather than by increased industrial productivity (which is only 107 percent of the 1938 level). This increase

in productivity is about equal to that of France though less than that of the UK.

27. The fiscal and monetary policies of the West German Government have encouraged savings without deterring investments. The total volume of personal, public, and business savings apparently has been adequate to finance all domestic investments and the export surplus, and the price level has remained stable. High rates of taxation through 1954 have permitted the government to balance the budget, although 16 percent of GNP goes for social welfare expenditures and about six percent for occupation and defense appropriations. In fact, mainly because of delays in defense spending, the public budgets have recently shown substantial cash surpluses. However, agitation for tax reductions has been successful, defense appropriations will now increase, and the budgetary surpluses accumulated in past years will be spent as the rearmament program gets underway. Present indications are, therefore, that the current cash surpluses will give way to moderate budget deficits, and that there will be greater recourse to credit creation in financing private investments in the next few years.

28. A great economic burden has been imposed on the Federal Republic by the increase in pensioners and other beneficiaries of social welfare and insurance programs, resulting from: (a) a relative increase in the older age group; (b) the large number of war disabled and dependents of war dead; (c) the loss of property and savings caused by the war; and (d) the influx of millions of destitute refugees. The government will find it politically impossible to reduce these programs, but their relative burden will decline as economic growth continues and the population balance is restored.

29. West Germany has successfully surmounted the foreign trade problems created by the expansion of its population, the decline of its trade with Eastern and Southeastern Europe, and the loss of the East German agricultural surplus area. In spite of a rise of imports during the past year, West Germany has been successful in holding imports to a relatively low level while expanding the vol-

ume of exports (now about 180 percent of the prewar level) to provide a continuing export surplus. Its commercial dollar surplus for US FY 1954 is estimated at \$300 million and its extraordinary dollar receipts at \$320 million. Total gold and dollar reserves consequently have risen to more than \$1.7 billion.

30. The foreign trade pattern of the Federal Republic is not markedly different from that of prewar Germany, except that the volume of its trade with Eastern and Southeastern Europe (which accounted for about 15 percent of Germany's total trade in 1938) has been reduced to about one-tenth of the prewar level. This development, together with the virtual disappearance of the large volume of trade between Western and Eastern Germany, has increased West Germany's dependence on trade with the West. West Germany will almost certainly try to increase its trade with the Soviet Bloc, particularly in the event of adverse developments in its trade with the West, but a major reorientation in West Germany's foreign trade is unlikely. The industrialization of the Bloc and its self-sufficiency policies have reduced the likelihood of full resumption of the prewar trade pattern under which Germany supplied countries now in the Bloc with industrial products and received food and raw materials in return.

31. Thus far, the expansion of West Germany's foreign trade has not greatly hurt any specific foreign competitor because it has been diffused throughout the world and because it has occurred when the total volume of world trade was expanding. However, West Germany is continuing vigorously to expand its trade in Latin America, the Middle East, and other areas, and is offering growing competition to the US, UK, and Japan. West Germany's willingness to offer highly favorable credit terms has been an important factor in this trade expansion. Because of the modest size of these credits relative to the whole West German economy, and because of the probability of governmental relief should these credits become frozen, this credit extension is unlikely to become the source of financial difficulties serious enough to threaten the stability of West Germany's economy.

32. In view of West Germany's heavy dependence on foreign trade, its economic health is highly dependent on continued world prosperity. Its vulnerability is enhanced by the fact that a high proportion of its exports consists of capital goods which are particularly sensitive to any decline in business activity. In the next few years the rearmament program will provide a measure of insurance against a moderate slackening of foreign or domestic civilian demands, but any major contraction of the world market would have immediate and serious repercussions in West Germany.

33. However, provided trade conditions remain favorable, West Germany's economic expansion is likely to continue for the next few years with the added stimulus of rearmament. GNP may increase by as much as 30 percent in the next five years, industrial production by 40 percent, and private consumption by 25 percent. In the latter part of this period, the annual rate of growth of GNP is likely to begin a decline to an estimated long-term average of three to four percent.

34. The relatively leisurely rearmament program presently contemplated by West Germany will not impose severe strains on the country's economic and financial resources or on the government's political ability to mobilize these resources. West German defense appropriations, including occupation costs, have approximated \$2 billion annually since FY 1952, and expenditures have been considerably less. Occupation costs will taper off in FY 1956, and on the basis of present German plans military expenditures will increase to \$3.4 billion (eight percent of estimated GNP) in FY 1958. Such rearmament outlays will probably stimulate: (a) a high level of economic activity; (b) slight upward pressure on prices; (c) greater pressure for wage increases; and (d) moderate shortages in some sectors of the economy. If the demands of the civilian economy remain as strong as at present, the resultant rise in prices may turn the export surplus into a deficit.

35. West Germany's economic development will continue to be facilitated by an adequate supply of qualified scientific and technological personnel in almost all fields. The govern-

ment will continue to give strong support to science in order to meet foreign trade competition. The period from World War II until the recent past may best be described as an era in which West German science devoted its energy to catching up. This period has come to an end and West German scientific capabilities in many fields are now at least equal to those of other continental Western European nations.

V. DEVELOPMENT OF WEST GERMAN ARMED FORCES

36. Under the terms of the Paris agreements, West Germany is scheduled to contribute an armed force of 500,000 men to NATO. This force would provide 12 divisions (including substantial armored units), a 20-wing air force of about 1,350 aircraft (principally fighter-bombers and fighters), and a coastal defense navy which is not to include surface warships of more than 3,000 tons or submarines of more than 350 tons. We believe that these forces could possibly attain combat readiness within a period of two to three years after the initiation of rearmament. However, to reach this goal West German requirements for aircraft and heavy equipment will have to be filled largely by the US and UK in the early stages of the rearmament effort.

37. We believe that the gap in military experience since 1945 will retard but not seriously handicap the formation of West German armed forces. Planning and operations elements staffed by experienced officers already exist within the Bonn defense office, and numerous officers and noncommissioned officers with extensive combat experience are available. The first 12 months of rearmament will be devoted to enlisting and training the regular military personnel who will serve as cadres. Shortages of pilots and company grade officers should be overcome in the two to three year training period.

38. We believe it likely, at least over the next few years, that the West Germans will accept the established limitations on their rearmament. Most West Germans are resigned to the necessity for rearmament, but: (a) there is an antimilitary bias among a segment of

West German youth; (b) the population generally remains apprehensive of policies that might lead to the recurrence of war; and (c) great numbers of West Germans, especially among the working classes, fear the possible influence of a revived military caste on the government. Even should these attitudes change, it would be difficult for the West Germans to evade the agreed limitations on rearmament so long as the nations which are party to the Paris agreements display determination and unity in enforcing the control measures.

39. The economic sacrifices involved in building armed forces to scheduled levels are not likely to engender resistance to the rearmament program, but we believe that any substantial increase above these levels might do so. Although West Germany's present resources probably could support a peacetime military establishment of about one million men, efforts to expand the armed forces beyond presently planned levels probably would be limited by domestic political controversy, especially if such rearmament affected the standard of living or necessitated curtailment of social welfare programs. We believe that the present government, currently committed to tax reductions, would be unwilling to increase defense outlays much beyond presently projected levels except in the event of a marked increase in international tensions.

40. Although prohibition or controls over military research and development have been in effect since 1945, West Germany retains a high potential in the field. It has been conducting as much military-related research as allowed under the regulations and is capable of converting to large-scale weapons research and development programs as soon as the controls are lifted. However, West Germany will remain bound by its commitments in connection with the Paris agreements not to make atomic, bacteriological, or chemical weapons. For at least the next two years, West Germany will limit itself to an atomic energy program centered about developing a medium power research reactor. In any case, the development of atomic weapons would be limited by the fact that uranium deposits in

West Germany appear to be small and of low grade. Even though manufacture of long-range guided missiles remains forbidden, chemical research and development in the field of guided missiles, rockets, and fuels will probably increase sharply in the next five years.

1. Even were controls lifted, the speed of recovery in the weapons development field depends to a great extent upon the acquisition of research and test facilities that are not now available, e.g., wind tunnels, ship model basins, and guided missile test ranges. We believe that the Germans could acquire and develop adequate facilities to overcome the lag of other Western European nations in these fields within three to five years.

4. PROBABLE FOREIGN POLICY

Short-Term Objectives and Orientation

12. While a fundamental objective of West German foreign policy is the recreation of a strong and reunited Germany, the universal desire for reunification is tempered by the widespread realization that reunification is unlikely for some time to come. The Bonn Government and a majority of West Germans recognize that early reunification on any but Soviet terms is unattainable and that West Germany cannot hope to alter this situation at least until it has greatly increased its own influence and power and secured the support of powerful allies. Moreover, thus far in the postwar period West Germany has been more immediately concerned with its own security and recovery than with regaining the lands to the East.

13. Under these circumstances the Bonn Government has addressed itself chiefly to the restoration of German sovereignty and membership in the Western alliance. Bonn has viewed this policy as essential, not only as a means of regaining equality among its neighbors and assuring protection from Soviet encroachments, but as a step toward the restoration of West German strength and eventual leadership on the continent. In addition, we believe that Chancellor Adenauer and many other coalition leaders regard the

creation of a rearmed Germany in close alliance with its Western partners as ultimately providing the best basis for reunification negotiations with the USSR. For these reasons we believe that the Federal Republic will retain its basic pro-Western alignment. It will seek a particularly close relationship with the US, not only as the leader of the Western coalition, but as the ally which the West Germans regard as most likely to be sympathetic to their aspirations for a larger role in Western Europe.

44. On the other hand, a Bonn Government which has become sovereign will become increasingly assertive in pursuit of its own objectives. West Germany will probably resume diplomatic relations with the USSR as well as seek increased trade with the Bloc. In a period of reduced tensions, Bonn may also take various independent initiatives to explore reunification possibilities with East Germany and/or the USSR. However, if the USSR reacted to ratification of the Paris agreements by a policy of renewed militance (as, for example, restrictions on intercourse between East and West Germany), we believe that the West German Government and people would favor a firm stand against Soviet pressures.

45. *German Reunification.* Although reunification is a stated goal of all West German parties, they differ in the priority they give to this aim. While the coalition parties have felt compelled publicly to agitate the unity question, they have generally subordinated it to integration with the West. On the other hand the SPD has insisted that the development of West Germany's relations with the West must not be allowed to foreclose the possibility of early Four-Power negotiations on German unity. This policy appears based largely on the SPD's desire to use the unification issue to advance its electoral prospects, and on its belief that it would stand to gain politically if predominantly Protestant East Germany were reunited with the Federal Republic. In the light of the Paris agreements, the SPD has reformulated its arguments in a somewhat more neutralist tone, suggesting that Soviet consent to reunite Germany could

be obtained only if the new state were unfettered by alliances and its territorial integrity were guaranteed by an over-all collective security agreement.

6. Once West Germany has achieved its immediate goals of sovereignty and NATO membership, the government will become increasingly willing to take the initiative on reunification. Nevertheless, moderate CDU-led governments will be careful lest premature pressure in this direction strain relations with West Germany's Western partners and conflict with Bonn's objective of attaining major influence in the Western alliance.

7. The reunification formula which almost all West Germans would prefer is substantially in accord with that of the Western Powers and would involve genuinely free all-German elections to set up an all-German constituent assembly charged with the preparation of a constitution for the new state. The constituent assembly would also establish a provisional government to participate with the four occupying powers in drafting a peace treaty. The preferred formula would also involve giving post-treaty Germany freedom of alliance. No formula which gave the USSR the right to intervene in internal German affairs, or which assigned to the German Communists a position of power, would be acceptable to Bonn.

8. Even if the USSR were to reverse its present tactics and agree to reunification on the basis of free elections provided that Germany were neutralized and its level of armament severely restricted, most West Germans would be strongly suspicious of Soviet good faith. On the other hand, if the proposal were accompanied by tangible evidence of a basic shift in Soviet policy which persuaded the West Germans that the Communists were prepared to abandon their position in East Germany, most West Germans would find the proposal acceptable, and the Bonn Government would find it difficult to reject. The West Germans would be convinced that the Western Powers would still have to guarantee their security and that eventually Germany would be able to escape from its enforced neutrality.

49. *West German Policy toward NATO and WEU.* Except in the unlikely event of such a convincing Soviet offer, West Germany will seek an increasingly influential role in the NATO alliance system. Though initially it will be careful not to arouse allied suspicions, it almost certainly expects gradually to achieve a more influential role than that of France. Eventually West Germany will insist on Standing Group membership. While no successor is likely to be as effective an advocate of the "European idea" as Adenauer, Bonn is likely to favor further integration measures, in the expectation that West Germany would eventually dominate an integrated Europe. In the short term at least, the West Germans will be unlikely to attempt to change the defensive character of NATO, since any such move would arouse Western suspicions and tend to undermine the cooperative framework that the West Germans consider essential for the realization of their political and economic aspirations.

50. The presence of foreign troops is inevitably an irritant, but we believe that a majority of West Germans will probably continue to desire the retention of some US and UK forces and to tolerate French forces as essential protection at least as long as Soviet troops remain in East Germany.

51. *The Saar.* The Saar is likely to remain a perennial issue, and West Germany almost certainly will not abandon hope of eventually reintegrating the territory with Germany. However, at least for the next few years the Bonn Government will attempt to prevent the Saar issue from disrupting efforts to cooperate with the French. This policy is not likely to be abandoned unless the operation of German political parties in the Saar became so inhibited that the Germans were convinced they could never reintegrate the territory.

52. *Relations with West Berlin and East Germany.* In response to Western urging and substantial US contributions, Bonn has made considerable expenditures to maintain West Berlin. If there should be a decline in US support for the city's emergency needs and long-range program of economic recovery, a

retailment of the West German effort might allow. On the other hand, now that West Germany is economically strengthened and likely to pursue a more active reunification policy, it may feel more of an incentive to keep West Berlin alive as a symbol of German unity.

3. While West Germany will probably seek to normalize relations with the Soviet Bloc, it cannot formally accept the East German regime by granting diplomatic recognition. However, the West Germans will probably seek to increase trade and encourage a wide variety of informal arrangements between the two Germanys, partly to keep hopes for reunification alive.

Longer-Term Prospects

4. Provided that West Germany retains its economic well-being and does not become strongly dissatisfied with its position within the Western alliance, we believe that it will for the foreseeable future remain aligned with the West. Realizing that even in the long term West Germany will still lack the stature to play a truly independent role between East and West, Bonn will in our view continue to see overriding advantages and opportunities in membership in the Western alliance and close relations with the US and the UK.

5. Within the context of this basic alignment, however, we believe that a rearmed and stronger West Germany will tend in time to pursue two lines of policy which may create new strains with some of its allies. First, as its recovery proceeds to the stage at which, as we believe likely, it will be the strongest of the Western European continental powers, West Germany will seek that continental leadership to which it will regard itself as entitled. Such issues as the Saar, which in the short term the West Germans had been willing to play down, might again be raised by Bonn. Efforts of this nature may lead to marked differences, at least with France and the UK, and possibly with some of the minor powers. By this time German trade competition may also have become so intense as to create problems, particularly with the UK.

56. Second, once West Germany estimated that the Western power position was strong enough to minimize the risks, it might attempt to commit the Western alliance to exert heavier pressure on the USSR over reunification. At a minimum Bonn will probably insist that the Western Powers seize the diplomatic initiative on this issue. However, we believe that Bonn will remain unwilling to go so far as to create risks of war in which West Germany would be a battleground. In addition, the limits imposed by German membership in NATO will act as a brake on German will and ability to maneuver independently.

57. In the remote contingency of an eventual Soviet attempt to make a deal with West Germany involving reunification in return for German alliance with the USSR, the Germans would almost certainly reject this proposal. Some West German elements might be willing to explore such an offer, but we believe that West Germany would be fearful that, in the changed European power context, Germany could not maintain an independent status as a Soviet partner but would sooner or later be swallowed up by the USSR. Under these circumstances, we believe that no foreseeable West German Government would risk a Soviet alliance, even if reunification could thus be achieved.

Probable Foreign Policy if Germany were Reunited

58. If the USSR agreed to German reunification on the basis of neutralization with restricted armament, the Germans would probably feel compelled to observe these limitations for some years and to maintain an independent role between the two great power blocs. Moreover, a reunified Germany, confronted with a multitude of pressing internal economic and administrative problems, would be forced to cope with these difficulties before undertaking a more active foreign policy.

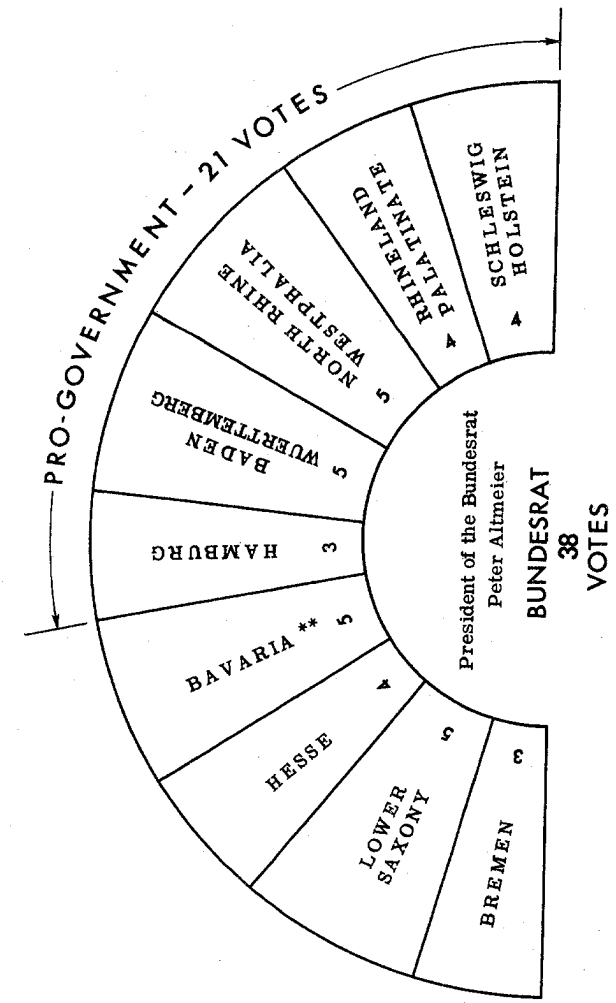
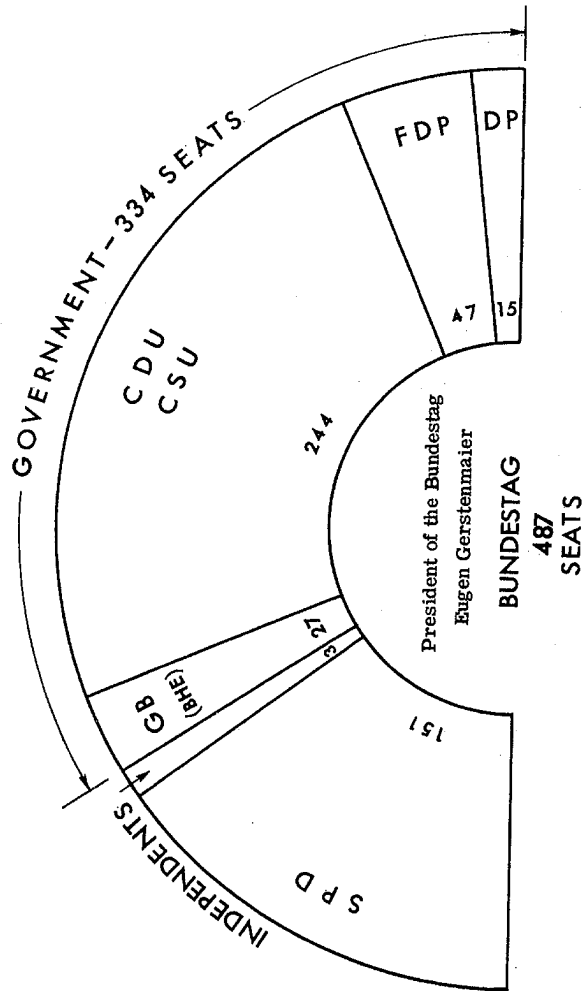
59. However, it is unlikely that Germany's foreign policy would long remain on dead center, and we believe that in time it would gravitate toward the West rather than the USSR.

We believe that fundamentally the Germans would consider that: (a) the chief threat to their security still lay in the power and aggressive designs of the USSR; (b) the conflicts of interest between them and the Soviet Bloc (over such issues as the Oder-Neisse territories) were greater than those with the Western Powers; (c) their opportunities for a larger world power role would be greater as a leading member of a Western European coalition than as a "junior partner" of the Soviet Union; and (d) their trade with the

West would remain more important than any prospective development of trade with the Soviet Bloc. Accordingly, we believe that the orientation of a reunified Germany would be towards the West. Whether this orientation would be manifested within the framework of a formalized neutrality or whether Germany would attempt to join the Western alliance would in large measure depend on German estimates of the nature and extent of the Soviet reaction.

THE WEST GERMAN LEGISLATURE

DECEMBER 1954



PARTY LEADERS

SPD - SOCIAL DEMOCRATIC PARTY	Erich Ollenhauer Wilhelm Mellies Carlo Schmid Herbert Wehner Fritz Erler
GB - (BHE) - ALL GERMAN BLOC	*Theodor Oberlaender *Waldemar Kraft
CDU - CHRISTIAN DEMOCRATIC PARTY CSU - CHRISTIAN SOCIAL UNION	*Konrad Adenauer Eugen Gerstenmaier Heinrich Von Brentano *Fritz Schaeffer *Ludwig Erhard *Franz Josef Strauss *Jakob Kaiser
FDP - FREE DEMOCRATIC PARTY	Thomas Dehler *Franz Blucher Friedrich Middelhaue *Hermann Schaefer
DP - GERMAN PARTY	*Heinrich Hellwege *Hans Seebohm Hans Von Merkatz

*Member of Cabinet

** Delegation includes two Bonn coalition parties, but not Adenauer's CSU.